



## **Communications - Pending Termination of St Mary's Hospital (Grand Junction)**

Attached are documents that were mailed to all Anthem Blue Cross Blue Shield that could potentially be affected by the potential termination of the contract with St. Mary's Hospital in Grand Junction, Colorado. As noted in the letter, Anthem continues to negotiate with St. Mary's Hospital at this time. We will keep you advised of any changes.

THANK YOU

Marilyn R. Jordan  
Benefits Contract Manager  
Department of Personnel & Administration  
Division of Human Resource  
Employee Benefits  
1313 Sherman St.  
Denver, CO. 80203  
Office: 303-866-3053  
Fax: 303-866-3879

CONFIDENTIALITY STATEMENT: The information contained in or attached to this transmission is confidential and may be protected by legal privilege. It is intended only for the addressee and access to the information in this transmission by anyone other than the addressee is not authorized. Any unauthorized review, copying, distribution, disclosure, or use of this information is strictly prohibited and may be unlawful. If you are not the addressee, please notify the sender immediately and properly destroy this transmission without disclosure. transmission, including attachments.

# St. Mary's/Anthem Negotiations

St. Mary's 3/11/04 Letter Indicated:	Anthem Response:
Anthem just gave notice to St. Mary's about this termination two weeks ago.	Anthem has been trying to reach an agreement since Summer 2003. The lines of communication have been open.
Anthem threatened termination as a negotiation tactic.	Anthem negotiated in good faith for a long time. Anthem has contracts with 63 hospitals in Colorado – this is the second time in four years we have been forced to terminate a hospital contract. Anthem did not issue the notice of termination that would be effective 5/27/04 for PPO and 7/01/04 for HMO as a negotiating tactic.
St. Mary's has a long history of working with insurers.	Last year, another major insurer on the Western Slope went through a similar contract negotiation and termination with St. Mary's.
St. Mary's offered Anthem a substantial increase in its discount.	The discount was very small to begin with – so a 50 percent increase in the discount offers very little savings. Regardless, any discount on a price for medical services that can be increased at any time can evaporate resulting in no discount or even higher prices.
St. Mary's has offered an economically substantial discount.	Anthem has agreed to accept the discount offered by St. Mary's. However, St. Mary's is unwilling to write a guarantee into the contract (called a Charge Master deflator) ensuring that St. Mary's could not raise its rates and erase the discount that it gave us.
This termination will force (Anthem members) and other Blue Cross members to pay more out-of-pocket expenses for the same services.	For services <u>not</u> available at other nearby facilities, Anthem will authorize benefits at the in-network level at St. Mary's and will process claims using the St. Mary's billed charges. Anthem will pay the member directly and the member will make payment to St. Mary's.
This termination will require that members travel to Denver for certain specialty services since Blue Cross would refuse to cover similar services at St. Mary's.	Members will <u>not</u> be required to go to Denver. For services not available at Community Hospital and other nearby facilities, Anthem will authorize benefits at St. Mary's at the in-network level. Anthem will pay the member directly and the member will make payment to St. Mary's. Our members will not suffer any additional financial consequences as a result of this termination.
This termination will restrict your physician's ability to treat you at our hospital because we won't be part of the Anthem network until the contract issue is resolved.	Technically the physician can still treat members at either of the Grand Junction hospitals where they have privileges, but the choice of where the member and his or her physician seek services is between the physician and the patient.
There is no reason for Anthem to terminate the contract.	Our reason is because St. Mary's has been unwilling to give Anthem market competitive prices. The only alternative to contract termination is ever increasing hospital costs and insurance premiums.
Other issues:	<p>This termination does not pertain to members of the Colorado Child Health Plan (CHP+) or members who have an Anthem Blue Cross and Blue Shield Medicare Supplemental policy. In addition, this termination does not affect services offered through Anthem Behavioral Health.</p> <p>Generally, specialists will remain in our network. If your patient's specialist is employed by St. Mary's Hospital, they <u>may</u> have to change specialists. However, if that specialist is the only one that provides those particular specialty services in the community, Anthem will authorize services/benefits rendered at St. Mary's by that specialist at the in-network benefit level.</p>

March 15, 2004

March 15, 2004

Dear Contract Policy Holder:

Anthem Blue Cross and Blue Shield has been working with St. Mary's hospital since last summer to negotiate a new contract for our PPO, EPO and HMO plans. We have negotiated for many months in good faith toward a simple goal – market competitive and predictable prices, so that we can provide affordable health insurance to the citizens of Mesa County. Unfortunately, St. Mary's has been unwilling to lock in their prices for any period of time, leaving the value of the discount they have offered to us, unknown.

On February 27, we issued a notice of intent to terminate our contract with St. Mary's effective May 27, 2004 (PPO/EPO) and July 1, 2004 (HMO). Please note, this is only the second time in four years that we have felt the need to do this with one of the 63 Colorado hospitals in the Anthem network. Still, we continue to push for a positive resolution of this contract dispute and very much hope to reach consensus with St. Mary's before the termination takes effect. In the event that we cannot reach a mutually satisfactory agreement, we want to assure you that you will continue to have access to quality health care.

How does this affect you, the member?

For services **that are not** available at Community Hospital or other nearby facilities, Anthem will authorize benefits for services rendered at St. Mary's at the in-network level and will use billed charges from the hospital to calculate payment. Anthem will send payments directly to you and you will then be responsible for paying St. Mary's. You will be responsible for your deductibles, co-insurance, and co-pays (whichever is applicable) based on billed charges.

For services **that are** available at Community Hospital or other local facilities:

- PPO members who elect to seek services at St. Mary's will be reimbursed at out-of-network benefit levels.
- HMO and EPO members who elect to seek services at St. Mary's will not be covered.

Please note, Community Hospital and all other local hospitals in the surrounding six counties are in-network for all Anthem lines of business.

Are there any benefits that are excluded from this unique termination?

This termination does not affect services offered through Anthem Behavioral Health.

Will you need to change your Primary Care Physician?

You may. If you are an HMO Colorado member whose Primary Care Physician (PCP) is employed by St. Mary's Hospital you must change to a PCP who is contracted with HMO Colorado. This can be done by calling customer service, or logging on to [www.anthem.com](http://www.anthem.com). If you are an Anthem Blue Cross and Blue Shield member you can continue to see your St. Mary's Hospital employed Primary Care Physician, however,

visits will be considered and paid as out-of-network. If you wish to switch physicians, please follow the same directions as above.

Will you need to change your specialist?

Generally, your specialist will remain in our network. If your specialist is employed by St. Mary's Hospital, you may have to change specialists. However, if that specialist is the only one that provides those particular specialty services in the community, Anthem will authorize services/benefits rendered at St. Mary's by that specialist at the in-network benefit level.

Anthem HMO, PPO or EPO members can continue to see their St. Mary's employed specialists. These visits will be processed as out-of-network, unless services were previously approved to be performed at St. Mary's. If members wish to switch physicians or verify a physician's continued participation in our network, please call customer service at the number on your I.D. card, or log on to [www.anthem.com](http://www.anthem.com).

If you require hospital services, what should you do?

It is our suggestion that unless you are in need of OB/GYN or pediatric services, multiple trauma care, neurosurgery, oncology treatments, dialysis, or cardiovascular surgery, you should go to one of the hospitals or ambulatory surgery centers described on the "alternative provider list" (attached). This will ensure that you are in a contracted hospital or outpatient facility and will protect you from any additional financial responsibility. If a service is not available at Community Hospital or other local facilities, and Anthem approves the procedure to be performed at St. Mary's then we will pay as though St. Mary's were an in-network provider. Reimbursement will be sent to you, and you will then need to reimburse St. Mary's.

If you already have appointments or surgery scheduled at St. Mary's to occur after May 27, 2004 (Anthem Blue Cross and Blue Shield) and July 1, 2004 (HMO), what should you do?

For services scheduled to occur after these dates, Anthem will provide coverage at out-of-network levels, with the exception of those services that are not offered at Community Hospital. We strongly recommend that you contact your physician to reschedule all elective surgical procedures (that could be performed somewhere else) that will take place after the termination dates at a contracted facility. This will minimize your personal expense. Once again, if the service is not available at a contracted facility, and Anthem approves the procedure to be performed at St. Mary's, we will pay as though St. Mary's were in-network.

What if you need emergency care?

Anytime you have a medical emergency, please go to the nearest emergency facility or call 911. Emergency care is always treated as in-network until such time the treatment is no longer classified as an emergency. If you are admitted as an inpatient, you or a family member, acting on your behalf, must notify Anthem Blue Cross and Blue Shield or HMO Colorado within 48 hours to avoid paying higher out-of-pocket costs.

Why is St. Mary's Hospital no longer an Anthem network provider?

Whenever we negotiate contract terms with hospitals the interests of our customers are a primary concern. In this case, we could not reach an agreement with St. Mary's for market competitive and predictable prices. Anthem will continue to work toward an agreement with St. Mary's and hope that, in the future, we can once again establish a working relationship. If this occurs, you will receive immediate notification. The attached fact sheets outline Anthem's response to specific issues raised in St. Mary's March 10, 2004 letter to our members.

What if you have questions?

If you have any questions, you can call our Customer Service department, at the number listed on your I.D. card.

We thank you for your business with Anthem Blue Cross and Blue Shield and very much appreciate your patience during this time.

Sincerely,

Robert London, M.D., Vice President, Health Care Management  
Anthem Blue Cross and Blue Shield

## List of Alternate Hospitals

The following participating hospitals and ambulatory surgery centers have confirmed that they will accept additional patients for both routine and emergency services.

Hospital Name, Address, Phone #	Services Available
Community Hospital 2021 North 12 <sup>th</sup> St. Grand Junction, Colorado 81501-2999 Phone: 1-970-242-0920	General Acute Care Total Licensed Beds: 78
Delta County Memorial Hospital 100 Stafford Lane Delta, Colorado 81416-2297 Phone: 1-970-874-7681 40.5 miles from Grand Junction	General Acute Care Total Licensed Beds: 49
Montrose Memorial Hospital 800 South Third St. Montrose, Colorado 81401-4291 Phone: 1-970-249-2211 62.1 miles from Grand Junction	General Acute Care Total Licensed Beds: 75
Family Health West 228 North Cherry Fruita, Colorado 81521-2130 Phone: 1-970-858-9871 13 miles from Grand Junction	General Hospital Total Licensed Beds: 10
Grand River Hospital District 701 E. 5 <sup>th</sup> St. Rifle, Colorado 81650-2970 Phone: 1-970-625-1100 61.1 miles from Grand Junction	General Acute Hospital Total Licensed Beds: 89

### Ambulatory Surgery Center Name, Address, Phone #

First Choice Same Day Surgery Center  
2596 F. Road  
Grand Junction, Colorado 81505-1443  
Phone: 1-970-256-9411

Grand Valley Surgery Center  
710 Wellington Ave.  
Grand Junction, Colorado 81501  
Phone: 1-970-255-7800

## **EXAMPLE OF COSTS TO MEMBER USING NON-PARTICIPATING HOSPITAL**

It's important that, as a member, you remember that if you use St. Mary's Hospital for other than emergency services or approved procedures that are not offered at Community Hospital (OB/GYN and pediatric services, multiple trauma, cardiovascular surgery, dialysis, neurosurgery, and oncology treatment) after May 23, 2004 for Anthem Blue Cross and Blue Shield (PPO and EPO) and July 1, 2004 for HMO Colorado, you will personally be responsible for paying higher fees than you would if you used an in-network provider.

**Here's an example of the difference in costs to you, if you use a nonparticipating hospital (St. Mary's) versus a participating hospital (e.g., Community Hospital) when services are offered at both hospitals.**

Let's say you require a four-day, non-emergency hospital stay, for a service that is offered at Community Hospital, and you choose to use St. Mary's. Based on an estimated \$15,800 in billed hospital charges, you could be responsible for paying up to \$8,800 because your visit would be processed as out-of-network and on a higher price structure. This is an estimate. The actual amount of your personal responsibility will depend on the copayment, deductible and coinsurance requirements of your health benefit plan.

Alternatively, if you choose to visit a participating hospital, such as Community Hospital, your out-of-pocket expenses will be significantly less. Based again on a four-day, non-emergency hospital stay, your responsibility would be an estimated \$1,200 because your stay would be processed as in-network and on a lower price structure. This is an estimate. The actual amount of your personal responsibility will depend on the copayment, deductible and coinsurance requirements of your health benefit plan.

HMO and EPO members should remember that they do not have out-of-network benefits for non-emergency services provided at St. Mary's unless HMO Colorado approves the services to be performed at St. Mary's.

## St. Mary's Fact Sheet

In response to the letter you have received from St. Mary's Hospital, Anthem Blue Cross and Blue Shield would like to present the facts.

- St. Mary's **increases in billed charges** (billed charges are similar to a manufacturer's list price) **have been greater and more frequent** than most other Colorado hospitals.
- St. Mary's has averaged annual **double digit increases** in its billed charges over the past four years.
- Anthem's average payment per admission to St. Mary's is **44 percent higher** than that which Anthem pays to other similar hospitals.
- It's important to remember that the **top three drivers of health care costs are hospital costs, prescription drug costs and physician/clinical costs.** *For the first time in a decade hospital spending growth outpaced growth in prescription drug spending and accounted for the largest portion of medical cost increases – 43 percent.*
- **It's the responsibility of health insurers, like Anthem, to help keep health care affordable.** We are able to moderate the influence of major cost drivers through the use of utilization reviews, tiered prescription drug plans, disease management programs, and appropriate and reasonable contract reimbursement methods.

3/15/04

March 12, 2004